



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

Gene Aloise
Deputy Inspector General

July 29, 2013

The Honorable Charles E. Grassley
United States Senate
Committee on the Judiciary
Ranking Member
Washington, DC 20510-6275

Dear Senator Grassley,

This letter is in response to the letter from Ms. Rebecca Anne Batts, Inspector General, Pension Benefit Guaranty Corporation, Office of Inspector General (PBGC-OIG), dated July 16, 2013, and focuses on the two areas of concern raised in your July 11 letter to Inspector General Batts.

First, I would like to point out that the response provided by Inspector General Batts continues to misunderstand our peer review results and makes assertions that are both inaccurate and misleading, thereby misinterpreting what SIGAR intended. SIGAR followed the Council of Inspectors General on Integrity and Efficiency (CIGIE) peer review guide and conducted a peer review of PBGC-OIG, as required by generally accepted government auditing standards (GAGAS). Since PBGC-OIG conducted only two performance audits over the past three years, SIGAR's peer review team reviewed and analyzed both reports. None of the other reports produced by PBGC-OIG in the last 3 years were performance audits; only performance audits require that certain GAGAS standards be followed.

SIGAR reviewed the reports by comparing them to GAGAS standards and how they should be written to comply with GAGAS, not how we would have liked the audit reports to be written. We did not make assumptions, but analyzed the reports and PBGC-OIG's audit work papers and provided our conclusions based on professional judgment and opinion on whether the standards were followed. The peer review team was well qualified to make such assessments because of extensive experience in planning, conducting, and reviewing audit reports in accordance with GAGAS, as well as years of experience participating in peer reviews.

The peer review team found deficiencies in PBGC-OIG's audit planning, reporting audit results, and with its quality control and assurance program. The deficiencies we cited did not encompass a more extensive requirement than those prescribed by GAGAS. Our primary objective in this regard was to be fair, balanced, and accurate. PBGC-OIG could have conferred with the Government Accountability Office (GAO) or the CIGIE Audit Committee Chair to obtain an interpretation or clarification of the standards but chose not to do so. To ensure a fair, accurate, and balanced report, we discussed our peer review findings with John Rymer, Chairman Audit Committee, CIGIE, who read our draft report and stated the report was "well-supported."

Specifically, we object to the characterization of our comments by the PBGC-OIG pertaining to the (1) waiver recommendation, and (2) independence.

- 1) Regarding the waiver recommendation, a performance audit, conducted in accordance with GAGAS, must contain enough information for the reader to understand the relationship between the objectives and findings. In addition, the recommendations should be based on

well-developed findings. A finding should identify the problem and a recommendation should focus on correcting the problem. The recommendation made by the PBGC-OIG in its audit to request a waiver, however, was not linked to a finding, and there was insufficient evidence to support the recommendation. For example, PBGC-OIG audit staff did not conduct work at OMB to determine whether such a waiver would be practicable.

Moreover, we find it both baffling and troubling that the PBGC-IG in her July 16th comments jumped to the conclusion that since SIGAR raised the issue of the waiver that SIGAR was recommending PBGC should cease the use of its information system. This was not written in the peer review report or stated by the peer review team at any time, and is an erroneous assertion and misleading, to say the least. The assertion by PBGC-IG serves only to convolute SIGAR's observation that government auditing standards were not followed. Recommendations should improve program operations and logically flow from the evidence provided in the audit report, which this PBGC-OIG audit recommendation did not. Simply stated, seeking a wavier does not fix the problem and delays compliance with the Federal Information Security Management Act (FISMA).

- 2) Regarding the issue of independence, SIGAR continues to stand by its observations in its peer review. The PBGC-IG stated verbally, in meetings with us, and in writing that independence for reviewers of audit reports is no longer relevant and continues to misinterpret the entire independence standard in her letter to you. In fact, the response to you now states that it is a "definition" that is no longer relevant.

The PBGC-OIG's assertion is baffling, and again, evidence of the serious lack of understanding by the PBGC IG of basic GAGAS rules and the underlying principals of the role of an Inspector General. Independence continues to apply to reviewers of audit reports, it is still relevant, and was not dropped in the most current version of Government Auditing Standards, as we have tried to explain in person and in writing to no avail to the PBGC-IG. For more authority on this issue, we strongly suggest PBGC-IG speak directly to the GAGAS experts at GAO.

The PBGC-IG also misunderstood that the criteria used for the peer review was the 2007 Government Auditing Standards since the audit reports we reviewed were conducted in 2009-2010. That is, we used the 2007 version of the standards (those in effect at the time PBGC-OIG conducted the two audits we reviewed), which included the "definition" that was allegedly dropped. It would have been inappropriate for us to hold PBGC-OIG accountable to the 2011 version of the Government Auditing Standards. This was explained at length in the peer review report but is still misunderstood by the PBGC-IG.

The second issue pertaining to independence is the assertion by PBGC-IG that an independent assessment was conducted of the data transition. The audit report did not inform the reader that an independent assessment was done or not done. The key point of our peer review observation was the audit report did not meet GAGAS reporting standards for performance audits, since it did not include information to explain exactly what was reviewed and the assumptions used to address the objectives.

Finally, the PBGC-IG makes another erroneous assertion that we have not been willing to provide access to documentation of the peer review. This is untrue and misleading. Throughout the peer review, the peer review team shared its analysis, including all of the completed appendices, which showed the process the peer review team used to evaluate the two performance audit reports and evaluate PBGC-OIG's policies, procedures, and quality control and assurance program. (The appendices are provided in the CIGIE peer review guide and Inspectors General are encouraged to use them.) In contrast, we requested documentation from the prior peer review conducted of PBGC-OIG and was told by the external peer reviewer that there was none, even though PBGC-OIG received a "pass" rating in the prior peer review. Although not noted in our current peer review, we find the absence of those records especially troubling.

Moreover, I personally responded to the PBGC Deputy IG that we would provide access to documentation the week of July 22, which we have done. However, we have found it necessary to remove information pertaining to interviews of PBGC-OIG employees due to concerns they expressed to our auditing staff about potential retaliation by PBGC-OIG management. PBGC-OIG employees were assured that the interviews with the SIGAR peer review team would remain confidential after they expressed their concerns of possible retaliation to us.

PBGC-OIG is welcome to view our documents detailing the peer review, however, we do not believe this will likely prove beneficial or resolve differences since the points of disagreement primarily pertain to interpretations of the auditing standards and misunderstandings by the PBGC-OIG. In closing, I encouraged PBGC-OIG to consult with GAGAS experts at GAO for further clarification and/or interpretation of GAGAS, particularly in those areas where we disagree.

We were encouraged to learn that PBGC-OIG accepted all our recommendations and it is our view that time is better spent going about the current business of both agencies. CIGIE provides for a peer review re-evaluation within one year and in the spirit of "good government" we look forward to improvement in reporting audit findings at PBGC-OIG.

Sincerely,

A handwritten signature in black ink that reads "Gene Aloise". The signature is written in a cursive, flowing style.

Gene Aloise
Deputy Inspector General
Special Inspector General for
Afghanistan Reconstruction

cc: Jon Rymer, Chair,
Audit Committee, CIGIE